67th Legislature HB 424.1

1	HOUSE BILL NO. 424
2	INTRODUCED BY E. KERR-CARPENTER
3	
4	A BILL FOR AN ACT ENTITLED: "AN ACT REVISING INDIVIDUAL INCOME TAX LAWS; REVISING THE
5	RATE STRUCTURE TO INCLUDE A TOP MARGINAL RATE OF 8.9% FOR INCOME IN EXCESS OF
6	\$500,000; INCREASING THE EARNED INCOME TAX CREDIT; AMENDING SECTIONS 15-30-2103 AND 15-
7	30-2318, MCA; AND PROVIDING AN APPLICABILITY DATE."
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9	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
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11	Section 1. Section 15-30-2103, MCA, is amended to read:
12	"15-30-2103. Rate of tax. (1) There must be levied, collected, and paid for each tax year upon the
13	taxable income of each taxpayer subject to this tax, after making allowance for exemptions and deductions as
14	provided in this chapter, a tax on the brackets of taxable income as follows:
15	(a) on the first \$2,900 of taxable income or any part of that income, 1%;
16	(b) on the next \$2,200 of taxable income or any part of that income, 2%;
17	(c) on the next \$2,700 of taxable income or any part of that income, 3%;
18	(d) on the next \$2,700 of taxable income or any part of that income, 4%;
19	(e) on the next \$3,000 of taxable income or any part of that income, 5%;
20	(f) on the next \$3,900 of taxable income or any part of that income, 6%;
21	(g) on the next \$482,600 of taxable income or any part of that income, 6.9%;
22	$\frac{g}{h}$ on any taxable income in excess of $\frac{17,400}{500,000}$ or any part of that income, $\frac{6.9\%}{8.9\%}$.
23	(2) By November 1 of each year, the department shall multiply the bracket amount contained in
24	subsection (1) by the inflation factor for the following tax year and round the cumulative brackets to the nearest
25	\$100. The resulting adjusted brackets are effective for that following tax year and must be used as the basis for
26	imposition of the tax in subsection (1) of this section."
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28	Section 2. Section 15-30-2318, MCA, is amended to read:



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"15-30-2318. Earned income tax credit. (1) Except as provided in subsection (3), a resident taxpayer is allowed as a credit against the tax imposed by 15-30-2103 a percentage of the credit allowed for the federal earned income credit for which the individual taxpayer is eligible for the tax year under section 32 of the Internal Revenue Code, 26 U.S.C. 32.

- (2) The amount of the credit allowed under subsection (1) is 3% 10% of the amount of the credit determined for the tax year under section 32 of the Internal Revenue Code, 26 U.S.C. 32.
- (3) (a) Except for married taxpayers living apart who are treated as single under section 7703(b) of the Internal Revenue Code, 26 U.S.C. 7703(b), the credit is not allowed to married taxpayers if the spouses report their income on separate tax forms. Married taxpayers filing separately on the same form may allocate the credit between spouses.
- (b) The credit is not allowed on earned income that is treated as a dividend received by a member of an agricultural organization provided for in section 501(d) of the Internal Revenue Code, 26 U.S.C. 501(d). For the purpose of this subsection (3)(b), the amount of the state tax credit provided for in subsection (2) is reduced by the reduction percentage.
- (4) The taxpayer is entitled to a refund equal to the amount by which the credit exceeds the taxpayer's tax liability or, if the taxpayer has no tax liability under this chapter, a refund equal to the amount of the credit.

 The credit may be claimed by filing a Montana income tax return.
 - (5) For the purpose of this section, the following definitions apply:
- (a) "Earned income" means earned income, as defined in section 32 of the Internal Revenue Code,26 U.S.C. 32, that was used to determine the amount of the federal earned income tax credit under subsection(2).
- (b) "Reduction percentage" means a percentage that is calculated by dividing the earned income that is disallowed under subsection (3)(b) by the total amount of earned income."
- NEW SECTION. Section 3. Applicability. [This act] applies to tax years beginning after December 31, 2021.

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